

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE ALLEGED)	
DEFICIENCIES OF APPALACHIAN OIL)	CASE NO. 10378
AND GAS COMPANY)	

ORDER TO SHOW CAUSE

Appalachian Oil and Gas Company ("Appalachian") is a natural gas gathering and transmission company located in Clay County, Kentucky, which owns and operates facilities used in connection with the production, transmission, sale, and furnishing of natural gas for the public for compensation. Appalachian is a utility as defined by KRS 278.013(3).

KRS 278.080 authorizes the Commission to prescribe rules for the performance of any service furnished or supplied by a utility. Pursuant to this authority, the Commission has promulgated a rule, codified at 807 Kentucky Administrative Regulations ("KAR") 5:022, which establishes minimum safety standards for the operation of natural gas utilities.

On August 18, 1987, a comprehensive inspection of Appalachian was conducted by an investigator of the Commission's Gas Pipeline Safety Branch. Attached as Appendix A is a copy of the inspection report. Appalachian was cited for four deficiencies: exposed plastic pipe at the compressor station; a leak at a plug valve; inadequate corrosion control based upon low pipe-to-soil readings throughout the system; and no Operating and Maintenance Plan.

In its response dated October 16, 1987 (attached as Appendix B), Appalachian stated that the exposed pipe ". . . has been buried to the required depth"; the leak ". . . has been repaired"; all work necessary to meet the requirements of minimum cathodic protection ". . . should be completed by December 31, 1987"; and a copy of a completed Operating and Maintenance Plan ". . . will be submitted to your office not later than December 31, 1987."

On July 14, 1988, another comprehensive inspection was conducted on Appalachian. Attached as Appendix C is a copy of the inspection report. Three of the four deficiencies cited during this inspection were deficiencies cited in the 1987 inspection: aboveground polyethylene pipe at the compressor station; low pipe-to-soil readings throughout the system; and no Operating and Maintenance Plan.

The Commission notes that Appalachian in its October 16, 1987 response did not contest the findings in the 1987 inspection report. However, while Appalachian responded that these deficiencies were corrected or would be no later than December 31, 1987, the results of the 1988 inspection demonstrate that Appalachian's intentions were otherwise. Based upon the assertions made by Appalachian in its October 16, 1987 response and the subsequent findings in the report of the July 14, 1988 inspection, the Commission concludes that Appalachian apparently had no intentions of making the required corrections to comply with Commission regulations. The Commission is of the opinion and hereby finds that Appalachian should demonstrate the reasons why it need not comply with Commission regulations and why Appalachian should not be

fined for the repeated deficiencies to Commission regulations as referenced herein.

Therefore, the Commission on its own motion HEREBY ORDERS that Appalachian shall appear before the Commission on October 5, 1988 at 1:30 p.m., E.D.T., in the Commission's offices at Frankfort, Kentucky, to show cause why Appalachian should not be subject to the penalties prescribed in KRS 278.990, and to demonstrate what corrective actions it intends to take to comply with Commission regulations.

Done at Frankfort, Kentucky, this 15th day of September, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hensen Jr.
Chairman

Robert M. Davis
Vice Chairman

Samuel H. Walcott
Commissioner

ATTEST:

Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 9, 1987

Mr. Clyde Fuller, President
Appalachian Oil & Gas Co.
Suite 1920
Commerce Union Tower
Chattanooga, TN 37450

Dear Mr. Fuller:

Our files indicate that Appalachian has failed to respond to the August 25, 1987, comprehensive inspection report. We had requested a response before September 25, 1987.

Please respond to the report as soon as possible. If a reply is not received by October 26, 1987, show cause proceedings may be initiated.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claude G. Rhorer, Jr.", written over a horizontal line.

Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services

CGR/MLR/ml1



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 25, 1987

Mr. Clyde Fuller, President
Appalachian Oil & Gas Co.
Suite 1920
Commerce Union Tower
Chattanooga, TN 37450

Dear Mr. Fuller:

Attached is a report of the 1987 comprehensive inspection of Appalachian Oil & Gas Co. which was performed by Marcus L. Rogers on August 18, 1987.

Please respond to this report by September 25, 1987, outlining a correction schedule of the cited deficiencies for Commission approval.

If you have any questions or need additional information, please contact Mark Rogers at 502 564-2545.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claude G. Rhorer, Jr.", is positioned above the typed name and title.

Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services

CGR/MLR/ml1

Attachment

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

ANNUAL COMPREHENSIVE INSPECTION REPORT

Appalachian Oil and Gas Company

August 25, 1987

BRIEF

Appalachian Oil and Gas Company (Appalachian) with its main office in Chattanooga, Tennessee, and a field office in Manchester, Kentucky, is a small gas transmission company supplied by 13 high pressure wells and 9 low pressure wells. It owns or controls all of these wells. The company has one Ajax DP 600 compressor which was installed in 1986, one small compressor, and one portable compressor. The portable compressor is used with the 9 gathering lines of the low pressure wells and feeds to the DP 600.

A 6" transmission line runs from the compressor station along Crane Creek Road to the measuring station for TranEx and from there along Collins Fork Road to the measuring station for Somerset Gas at State Road 11.

INSPECTION

On Tuesday, August 18, 1987, I met with Mr. Henry Nicely, representative for and employee of Appalachian. We toured and inspected the system. There were no records to review.

FINDINGS

1. Exposed black plastic pipe gathering lines at the compressor station (SDR7-ASTM-PF3408), [807 KAR 5:022, Section 7(12)(a)].

2. Small leak at the 4" plug valve at the Collins Fork measuring station, [807 KAR 5:022, Section 14(13)(e)2].
3. Inadequate corrosion control. Pipe-to-soil readings were low throughout the system (-.600v), [807 KAR 5:022, Section 10(4)].
4. Appalachian does not have a written Operating and Maintenance Plan that meets the requirements of existing regulations and does not keep records necessary to administer that plan as required, [807 KAR 5:022, Section 13(2)(a) and (b)].

RECOMMENDATIONS

It is recommended that Appalachian:

1. Bury all plastic as per regulations by October 21, 1987.
 2. Repair the leaking plug valve at the Collins Fork measuring station immediately.
 3. Bring all steel transmission lines up to at least minimum cathodic protection within 90 days. Send a schedule showing when the work will be completed to the Ky. Public Service Commission (PSC) by September 25, 1987, for its approval.
- A. Prepare a written Operating and Maintenance Plan, including all required components in Sections 13 and 14

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of KAR 5:022. This should also include all records and initiation of records for all maintenance and operations; a schedule of this work to be sent to the PSC for its approval by September 25, 1987.

It is further recommended that a copy of this report be forwarded to Appalachian so that it may respond by September 25, 1987, with a schedule of compliance.

Respectfully submitted,

Marcus L. Rogers
Marcus L. Rogers
Utility Investigator

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MLR/ml1

*Appalachian Oil & Gas Company, Inc.**Suite 1985 • Commerce Union Tower**Chattanooga, Tennessee 37450**Telephone (615) 266-2029*

October 14, 1987

RECEIVED

Mr. Claude G. Rhorer, Jr., Director
Division of Utility Engineering and Services
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

OCT 16 1987

DIVISION OF UTILITY
ENGINEERING & SERVICES

Dear Mr. Rhorer:

In response to your follow-up letter of October 9, 1987 regarding the August 18th inspection by Mr. Rogers of Appalachian's Clay County, Kentucky operation, the following items and/or findings have been complied with:

1. The exposed black pipe at the compressor station has been buried to the required depth.
2. The leak in the 4" plug valve at the Collins Fork measuring station has been repaired.
3. The company is currently taking bids on the required minimum cathodic protection on the steel transmission lines. All work necessary to meet the requirements should be completed by December 31, 1987.
4. The company is preparing a written operating and maintenance plan. A copy of the completed plan will be submitted to your office not later than December 31, 1987.

If you should have any questions regarding this information please do not hesitate to contact our office.

Sincerely,

APPALACHIAN OIL & GAS
COMPANY, INC.

A handwritten signature in dark ink, reading "William C. Garland". The signature is written in a cursive, flowing style.

William C. Garland

WCG/jh

cc: Henry Nicely

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

ANNUAL COMPREHENSIVE INSPECTION REPORT

Appalachian Oil and Gas Company

July 25, 1988

BRIEF

A comprehensive inspection of Appalachian Oil and Gas Company (Appalachian) was conducted on July 14, 1988. This inspection was conducted in accordance with the Public Service Commission's annual inspection program for all intrastate gas pipeline operators under its jurisdiction.

Appalachian is a small gathering system located in Clay County, Kentucky. It has 25 wells and 1 compressor station. A 6" bare steel line runs from the compressor station to the sales point with Somerset Gas on KY 11. Several small Grade 3 leaks were found on the valves and flanges at the Somerset sales point. Also found during the inspection were low pipe-to-soil readings. Mr. Fields, an employee of Appalachian, was not sure if the line was cathodically protected or not. Readings ranged from $-.900v$ to $-.600v$. Three of the 4 deficiencies named in the August 25, 1987 comprehensive report were found again on this inspection.

FINDINGS

The following deficiencies were found during the inspection:

1. Aboveground polyethylene pipe at the compressor station, [807 KAR 5:022, Section 7(12)(a)].
2. Low pipe-to-soil readings throughout the system, [807 KAR 5:022, Section 10(4)].

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3. Appalachian does not have an Operating and Maintenance Plan, [807 KAR 5:022, Section 13(2)(a)&(b)].

RECOMMENDATIONS

It is recommended that Appalachian:

1. Bury all aboveground polyethylene pipe.
2. Have a corrosion survey on the buried steel portion of the system conducted by a qualified technician. The results of this survey should be used to determine the type of cathodic protection program to use.
3. Prepare a written Operating and Maintenance Plan to meet Commission requirements.
4. Repair the Grade 3 leaks.

Due to the repeat violations cited, an enforcement action is recommended for Appalachian.

It is further recommended that a copy of this report be sent to Appalachian requesting that it respond by August 22, 1988 with a schedule of compliance to the deficiencies cited for Commission approval.

Respectfully submitted,

Earl H. Alderman, Jr.
Earl H. Alderman, Jr.
Utility Investigator

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